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[Home](#) > What is the difference between bankruptcy cases filed under chapters 7, 11, 12 and 13?

Answer:

Chapter 7: Often called the liquidation chapter, chapter 7 is used by individuals, partnerships, or corporations who are unable to repair their financial situation. In chapter 7 asset cases, the debtor's estate is liquidated under the rules of the bankruptcy code. Liquidation is the process through which the debtor's non-exempt property is sold for cash by a trustee and the proceeds are distributed to creditors.

Chapter 11: Often called the reorganization chapter, chapter 11 allows corporations, partnerships, and some individuals to reorganize, without having to liquidate all assets. In filing a chapter 11, the debtor presents a plan to creditors which, if accepted by the creditors and approved by the court, will allow the debtor to reorganize personal, financial or business affairs and again become a financially productive individual or business.

Chapter 12: Chapter 12 is designed for "family farmers" or "family fishermen" with "regular annual income." It enables financially distressed family farmers and fishermen to propose and carry out a plan to repay all or part of their debts. Under chapter 12, debtors propose a repayment plan to make installments to creditors over three to five years. Generally, the plan must provide for payments over three years unless the court approves a longer period "for cause."

Chapter 13: An individual with a regular income who is overcome by debts, but believes such debt can be repaid within a reasonable period of time, may file under chapter 13 of the bankruptcy code. Chapter 13 permits the debtor to file a plan in which the debtor agrees to pay a certain percentage of future income to the bankruptcy court trustee for payment to creditors. If the court approves the plan, the debtor will be under the court's protection while repaying such debts.

More information regarding the difference between chapters can be found in the [Bankruptcy Basics Manual](#).

FAQ Catagory:

General Bankruptcy

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